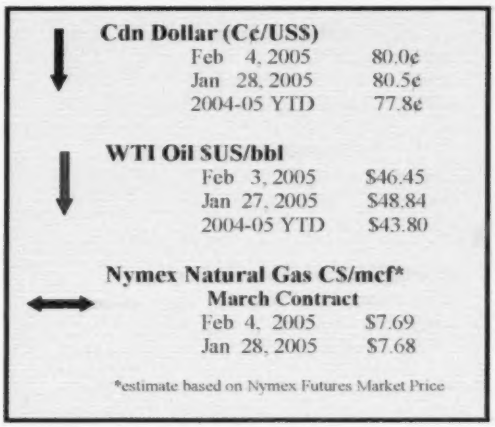
WEEKLY ECONOMIC REVIEW

FEBRUARY 4, 2005

The U.S. Federal Reserve Board raised its key interest rate by 25 basis points (0.25 percentage points), to 2.5%. The move brought the U.S. Federal Funds rate to parity with the Bank of Canada's overnight rate for the first time since 2001. The Federal Reserve is expected to continue to increase interest rates at a measured pace, suggesting that U.S. short term rates may surpass Canadian rates in the near future, as the Bank of Canada is expected to remain on the sidelines until the second half of 2005.

The prospect of negative Canada-U.S. interest rate spreads placed some additional downward pressure on the Canadian dollar, which ended the week near the 80 cent US mark.

Canadian economic data were mixed. The January employment report, which showed a small overall decline in jobs, nevertheless contained some bright spots. Private sector employment was up by more than 40,000, and the manufacturing sector added 14,000 jobs, despite a high Canadian dollar. The Alberta economy added 6,400 jobs in January, maintaining Alberta's unemployment rate at a Canada-best 4.4%.



U.S. payroll employment rose by 146,000 in January. While below expectations, the data suggested continued steady improvement in the U.S. job market.

Oil prices receded to the $46 US range this week, as the Iraq elections and a healthy U.S. inventory report lessened market concerns regarding supply.

Activity in Alberta's energy sector continued at near-record levels in January, with an average of 460 rigs drilling. The active rig count was up 9.2% from a year ago, and 28% above the latest 10-year average for the month of January.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date*
Rigs Drilling	January 460	-2.3%	9.2%	N/a
Canadian GDP	November	0.2%	3.2%	N/a
Employment	January	Gain/Loss from Previous Month (#)	Month/Previous Year's Month (Y/Y)	Y/Y (% change)
Alberta		+6,400	+35,600	2.0%
Canada		-5,700	+227,500	1.4%
US		+146,000	+1,760,000	1.3%

Source: Statistics Canada, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics
**Year-to-date 2004 compared to the same time period in 2003. For example: January-November 2004 versus January-November 2003*